

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS TAYMAN TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T9-26)

The United States Postal Service hereby provides the responses of witness Tayman to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-T9-26, filed on February 23, 2000. An objection to OCA/USPS-T9-27 is being filed today.

The interrogatory is stated verbatim and is followed by the response. A signed declaration will be supplied separately.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Rate-making



Scott L. Reiter

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March 10, 2000

**RESPONSE OF WITNESS TAYMAN TO INTERROGATORIES OF
OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-T9-26. Please refer to your response to ANM/USPS-T9-8 and USPS-LR-I-127. Page two, of the "Capital Investment Plan FY 1998-2002" indicates that "[a] total cost reduction of \$1,706 million is budgeted for FY 2000...." Page 588, of USPS-LR-I-127, indicates that total cost reductions for FY00 are \$980,577 thousand. Please reconcile the difference of \$725,423 thousand (\$1,706 million less \$980,577 thousand) in FY00 cost reduction programs. Please cite all source documents used.

RESPONSE:

The difference relates mainly to how cost reductions are characterized in the rate case versus the ones mentioned in the Capital Plan, and the baseline against which the reductions are being measured. The cost reduction amount referred to in the FY 1998-2002 Capital Investment Plan includes reductions to Headquarters expenses of approximately \$711 million. Changes to Headquarters expenses are not reflected as cost reductions in the rate case but as changes to other programs. Adjusting the total cost reduction number in the Capital Plan for the \$711 million reflected as Headquarters, leaves \$995 million which is very close to the \$981 million shown as cost reductions in the cost reduction column of the rollforward model for FY 2000. Also complicating the comparison is the fact that the \$711 million reduction in Headquarters expenses was measured against a preliminary FY 2000 Headquarters Budget estimate, which included the addition of inflation and some program growth to the FY 99 Operating Budget. In the rate case filing, the change in Headquarters expenses, which includes Headquarters Programs and Corporatewide Activities, was measured against a lower number, i.e., planned expenses as of accounting period 9.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

A handwritten signature in black ink, appearing to read "Scott L. Reiter", is written over a horizontal line.

Scott L. Reiter

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